

Analysis of Submissions on Consultation on Gas Industry Co FY2020 Work Programme and Levy

Background

In December 2018, Gas Industry Co released its *Consultation on Gas Industry Co FY2020 Work Programme and Levy (Consultation Paper)* in respect of the proposed strategy, work programme and levy for FY2020. This ensures we continue to have a programme that is the product of robust industry consultation. The *Consultation Paper* was prepared after taking into consideration feedback received at the Co-regulatory Forum held at Gas Industry Co's offices on 30 November 2018. Industry submissions were requested by 11 February 2019.

This document summarises submissions received, including providing comments in response from Gas Industry Co where appropriate. Overall, submissions were broadly supportive of Gas Industry Co's Work Programme and levy.

Parties submitting

First Gas Limited

Genesis Energy Limited

Major Gas Users Group (MGUG)

Nova Energy Limited

Trustpower Limited

Vector Limited

Q1: Do you have any comments on the process for developing Gas Industry Co's Work Programme and Levy?

Submitter	Comment	Gas Industry Co Response
First Gas	<p>We have found the GIC's proactive and early initial engagement with the industry through the November co-regulatory forum to be valuable. This approach provides an opportunity for the stakeholders to discuss the key issues facing the gas sector, and assists in our understanding of where the GIC believe it needs to focus its efforts.</p> <p>As noted last year, we encourage the GIC to provide an indicative schedule of timing for the proposed work programmes, as part of this consultation in the future. This enables stakeholders such as ourselves, to better allocate time and resources to contributing to priority work areas and taking part in the consultation process.</p>	<p>GIC notes the suggestion by First Gas that we provide an indicative schedule of timing for the proposed work programme and undertakes to provide this going forward to allow stakeholders to forecast their resourcing needs.</p> <p>GIC also notes the comments made by Nova in relation to presenting its long list of potential projects to the Co-Regulatory Forum and will consider this for the coming year.</p>
Genesis	Not addressed in submission.	
MGUG	No.	
Nova	<p>Nova suggests that in future GIC could put forward its long list of potential projects to the Co-Regulatory Forum for feedback and discussion; including those projects that may be deferred for a year or more. The GIC could seek feedback and discussion on that longer list, rather than just its proposed projects for the coming year. It seems that by asking the Board to review the Indicative Work Programme and Budget in October, and holding the Forum in November, the Forum is effectively presented with a programme that has already been refined, albeit not locked-in. Market participants are not generally focussed on how the industry can further develop its operations and processes, and therefore do not necessarily have views on what needs to be changed without some prompting. In that sense, the GIC is not fully capturing potentially valuable insights from industry participants at the Forum. Taking a</p>	

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	<p>wider perspective would be more consistent with the preparation of the GIC's SOI which covers a three-year planning period.</p> <p>In reference to this year's plan, Nova acknowledges that flexibility has been limited by the need to address the development of the gas transmission code, and the priority given to information disclosure.</p>	
Trustpower	Not addressed in submission.	
Vector	Vector is satisfied with the process for developing the Work Programme and Levy.	

Q2: Do you consider there to be any other items that should be included in the Company's intended Work Programme for FY2020? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.

Submitter	Comment	Gas Industry Co Response
First Gas	<p>Gas measurement technology requires guiding principles</p> <p>First Gas recommends that the GIC reopen work on gas measurement technology and reactivate the technical advisory group. Metering options have continued to evolve since the advisory group last considered advanced metering. In addition, First Gas will potentially be installing advanced metering within the next two years, alongside other businesses in the industry. It would be beneficial to have the high-level principles in place before advanced metering is rolled out to guide the sectors practices and policies. We recommend that the GIC review the level of resource dedicated to this workstream.</p> <p>Propose new work stream on guidelines for gas quality excursions</p> <p>First Gas recommends that the GIC consider introducing a work programme on guidelines for gas quality excursions in late 2019/early 2020. During a GTAC workshop, some stakeholders</p>	<p>GIC will investigate whether, based on trials to date, a solution is available, and will reactivate the technical advisory group if progress has been made.</p> <p>GIC will add this to the FY2020 work programme and anticipate setting up a small working group. Subject to stakeholder availability this may commence in the current year. This should be able to be accommodated within the current budget.</p>

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queried how other issues in relation to gas quality fit with the discussion on the core terms of interconnection on the transmission system. There was reference to the Australian Energy Market Operator (AEMO) Gas Quality Guidelines (the AEMO Guidelines). The AEMO Guidelines provide general information about gas quality and how the relevant parties will respond to short-term gas quality excursions outside the standard gas quality specifications. First Gas was asked to report back to stakeholders as to whether we would progress a workstream in relation to the AEMO Guidelines. We believe that there is merit in progressing a workstream to determine (among other things):

- a) If a document analogous to the AEMO Guidelines should be developed for the New Zealand context;
- b) What supplementary issues relating to "gas quality" may also need to be examined and resolved (e.g. testing methodologies and monitoring frequencies) to successfully introduce a New Zealand equivalent to the AEMO Guidelines; and
- c) How any new arrangements could be implemented at an operational level.

First Gas would be happy to work with the GIC to scope out this work programme. However, we believe that this workstream should not be progressed till later in 2019, once parties have had time to embed the changes required for the GTAC (or partake in discussion on a statutory code option).

GIC should leverage off Commission's 2019 review of Asset Management Plans (AMPs)

To ensure the GIC can effectively target its funding and resourcing, we encourage the GIC to leverage off the work of other

Noted.

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government agencies where possible. One particularly relevant work area is the Commerce Commission's upcoming review of gas pipeline businesses' AMPs. The Commission intend to review the businesses' asset risk management practices, and First Gas transmission business' management of geotechnical risks. The Commerce Commission expect to publish their findings from the review in mid-2019. We encourage the GIC to review this report, to determine if there is any work in this area where the GIC could usefully support gas pipeline businesses, and those stakeholders who review and rely on the information provided in the annual AMPs.

Regulation should enable greater blends of gas and hydrogen

First Gas is committed to supporting New Zealand's transition to a lower carbon economy. We strongly believe that natural gas and gas pipeline infrastructure has a role to play as our country transitions to net zero emissions by 2050. The recent Vivid Economics study we commissioned with Powerco sets out future scenarios that explore the role that gas can play. We encourage the GIC extending its work plan to consider how regulation could support change towards the net zero emissions target for 2050. In particular, we would welcome the GIC reviewing the gas specification requirements to enable natural gas blends (with either hydrogen or biogas). Under current regulations, this would not be possible as the gas specification standards provide very low margins of variability. A change to the gas specifications could enable businesses to test the feasibility and economics of blended fuel, while still providing quality assurance to customers. This change would be aligned with the Ministry of Business, Innovation and

GIC is maintaining an overview in this area and intends to engage with Standards NZ at the appropriate time. GIC notes that any gas specification needs to take into account the current fleet of appliances as well as ensuring safety and performance, etc.

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	Employments (MBIE) work looking into the role of hydrogen in New Zealand's energy system.	
Genesis	<p>Support the work programme identified but recommended that priority be given to the information disclosure workstream which has emerged as a key issue.</p> <p>Genesis looking forward to GTAC receiving final approval and moving to implementation. Pleased to see GIC raise areas of focus on ensuring smooth transition; for example, in seeking alignment with current regulations.</p>	
MGUG	<p>Consider it likely GIC will confirm its GTAC preliminary assessment. Concerned to ensure GIC takes an appropriate stance consistent with its regulatory role in the development and close out of remaining issues for access to transmission, particularly those remaining outside the code, including:</p> <ul style="list-style-type: none"> • Transmission pricing methodology; • Arrangements for priority rights. <p>Other areas include review of the Gas Act which has been signalled by the Minister to assess whether the legislation remains fit for purpose. The terms of reference are yet to be published and indeed the timing is unclear.</p>	<p>Transmission pricing methodology – GIC will liaise with MGUG to better understand their concerns.</p> <p>Priority rights – First Gas is responsible for developing the terms and conditions applicable to any auction for priority rights, and will do that in consultation with its Shippers. GIC's involvement is to assess the terms and conditions (and any subsequent changes to the terms and conditions) for approval, and as such it is not appropriate for GIC to be involved in the design of these arrangements.</p>
Nova	No.	

Q2: Do you consider there to be any other items that should be included in the Company’s intended Work Programme for FY2020? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.

Trustpower	<p>Strongly support GIC’s work programme to address information asymmetry which can have significant implications for outcomes in both the gas and electricity markets.</p> <p>Trustpower noted that improving information transparency is an integral part of GIC achieving all the Gas Act and GPS objectives.</p> <p>Trustpower’s preference is for a regulated solution, but consider a voluntary solution should be progressed in the interim.</p>	
Vector	<p>Do not consider the need for any other items to be included in the GIC’s intended Work Programme for FY2020. The focus should be on ensuring a smooth transition to new arrangements under a single GTAC, assuming its eventual adoption.</p> <p>The GIC’s commencement of a work stream that considers options to improve access to information and transparency of upstream activities, including planned and unplanned outages, is a welcome development. This will enable market participants to make more informed trading and operational decisions, avoiding unnecessary costs that gas consumers will ultimately bear.</p> <p>We assume that the GIC is already keeping a watching brief on technological and market developments on hydrogen in the context of the Government’s recent initiatives in this area. We believe this can be accommodated under the proposed Work Programme, e.g. as part of the long-term gas supply and demand scenarios workstream.</p>	

Q3: Do you consider there to be any items that should be excluded from the Company's intended Work Programme for FY2020? Please provide reasons for your response.

Submitter	Comment	Gas Industry Co Response
First Gas	Not addressed in submission.	Noted.
Genesis	Not addressed in submission.	
MGUG	No.	
Nova	No.	
Trustpower	Not addressed in submission.	
Vector	Do not propose the removal of any items from the intended Work Programme for FY2020.	

Q4: We are particularly interested in industry comment on the forecast gas volumes – do stakeholders consider the projection reasonable? If not, what would they consider an appropriate gas volume estimate to be?

Submitter	Comment	Gas Industry Co Response
First Gas	Not addressed in submission.	Gas Industry Co confirms that it will use the 180PJ forecast provided in the <i>Consultation Paper</i> for the calculation of the wholesale levy rate.
Genesis	Forecast volumes appear reasonable.	
MGUG	No comment.	
Nova	Nova believes that the GIC's estimate of gas volumes for FY2020 is reasonable.	
Trustpower	Not addressed in submission.	
Vector	Consider the forecast gas volumes to be reasonable for levy setting purposes.	

Q5: Do you have any comment on the proposed levy rates under the New Code and Status Quo scenarios for FY2020?

Submitter	Comment	Gas Industry Co Response
First Gas	The levy funding requirements and resourcing proposed seem generally prudent, given the work proposed under the two alternate work programmes.	GIC notes that submitters either did not address the proposed rates in their submissions or were largely comfortable with them.
Genesis	Not addressed in submission.	
MGUG	No.	
Nova	Nova is okay with the proposed levy.	
Trustpower	Not addressed in submission.	
Vector	Consider the proposed levy rates under the New Code and Status Quo scenarios for FY2020 to be reasonable in the context of GIC's flat levy profile in recent years.	